COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
PHOENIX, ARIZONA

FOR THE

YEAR ENDED JUNE 30, 2016

Issued by
Administrative Services Department
Madison Elementary School District No. 38
5601 N 16th Street
Phoenix, AZ 85016

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ADMINISTRATIVE OFFICES

Quinn R. Kellis, Ed.D.
Superintendent

Barbara Marshall
Assistant Superintendent for
Educational Services

Lori Garvey, CPA
Assistant Superintendent for
Administrative Services

January 25, 2017

Governing Board and Citizens
Madison Elementary School District No. 38
5601 North 16th Street
Phoenix, Arizona 85016-2999

State law mandates that school districts required to undergo an annual single audit publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Madison Elementary School District No. 38 (District) for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by CliftonLarsonAllen, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally mandated Single Audit as required by the provisions of the Uniform Grant Guidance designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE DISTRICT

The District is one of 58 public school districts located in Maricopa County, Arizona. It provides a program of public education from pre-kindergarten through grade eight, with an estimated current enrollment of approximately 5,615 students.

The District's Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction and maintenance of District facilities, and food services.

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget approved by the District's Governing Board.

The District's proposed expenditure budget is presented to the Governing Board for review prior to July 5. The Governing Board is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than July 15. The expenditure budget is prepared by fund for all Governmental Funds, and includes function and object code detail for the General Fund and some Special Revenue and Capital Projects Funds. The legal level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the individual fund level for all funds. The District is not required to prepare an annual budget of revenue, therefore a deficit budgeted fund balance may be presented. However, this does not affect the District's ability to expend monies. Funds that are not required to legally adopt a budget may have overexpenditures of budgeted funds. The budget for these funds is simply an estimate and does not prevent the District from exceeding the budget as long as the necessary revenue is earned.

A schedule of revenues, expenditures and changes in fund balances - budget and actual is provided in this report for the General Fund and Other Special Revenue Fund. These schedules are presented as required supplementary information. For other Governmental Funds, these schedules are presented in the Combining and Individual Fund Financial Statements and Schedules section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Local Economy. Madison Elementary School District No. 38, three miles from downtown Phoenix in south-central Maricopa County, serves a population of about 55,216. The tax base has a large commercial and industrial property component representing 43% of secondary assessed valuation (AV). The leading 11 property taxpayers represent 12.39% of fiscal 2015 secondary AV and include several large office complexes as well as an upscale retail shopping center and resort. Residents have access to employers in the larger MSA. The area's deep and diverse economic base includes such major employers as Wal-Mart, Banner Health Systems, and Intel, as well as several large financial institutions and the significant public-sector opportunities typically found in a state capital. Maricopa County's 5.3% unemployment rate was slightly higher than the national level; however it remains lower than the state level.

Maricopa County is located in the south-central portion of Arizona and encompasses an area of approximately 9,222 square miles. Its boundaries encompass the cities of Phoenix, Scottsdale, Mesa, Tempe, Glendale, Chandler, and such towns as Gilbert, Paradise Valley and Fountain Hills. Maricopa County is currently the nation's fourth largest county in terms of population size and the 14th in land area. The County's 2015 population was estimated at just over 4,100,000 and expected to reach 6 million by 2030. Maricopa County has a very wide range of economic sectors supporting its substantial growth.

The Phoenix metropolitan area and the rest of Maricopa County have become one of the fastest growing regional markets in the United States. From 2009 through September 2014, the service-providing industry in the County has increased by 121,900 jobs or 0.9%. It is anticipated that as the County continues to grow in population and economic activity, the service industry (the largest employment component in the County comprising near 69% of the total wage and salary employment base as of September 2014) will continue to be a significant contributor. The $8 billion per year tourism industry contributes significantly to service employment. The County has excellent accommodations, diverse cultural and recreational activities, and a favorable climate attracting millions to the area

annually. Wholesale and retail trade is the second largest employment category, employing over a quarter million people.

Manufacturing consisting primarily of high technology companies is the third largest employer. Other factors aiding economic growth include major expansions of the international airport serving the area, a favorable business climate and the presence of a well-developed and expanding transportation infrastructure.

Long-term Financial Planning. The Madison School District has experienced enrollment growth over the last five years. The District established the following signature programs: a Traditional School, a Science Technology Engineering and Mathematics (STEM) School, a Spanish Immersion School, a Visual and Performing Arts School, an International Baccalaureate (IB) Primary Years Programme School, and an IB Middle Years Programme School that has been a part of this growth.

In November 2014, the voters passed a $95 million bond that will fund the rebuild of a school, a partial rebuild of another school, a performing arts center, and capital projects that are not covered by the Arizona School Facilities Board. Age of current buildings was a criterion for the committee's evaluation of necessary projects. Madison's oldest school at 62 years was entirely rebuilt and opened in August 2016. The next oldest school at 59 years will be undergoing a partial rebuild commencing spring 2017. The ages of the remaining schools vary greatly at 58 years, 45 years, 40 years, 20 years, 9 years, and 3 years.

The state budget continued to be a concern for the District, especially in the area of capital funding for projects and revenues. The statewide elimination of building renewal funds made by the Arizona legislature reduced funding for building maintenance projects. Additionally, the legislature significantly reduced the funding of District Additional Assistance (instructional capital items such as textbooks, computers, and library books). To cover the shortfall in capital funding, the District patrons approved an annual capital override in the amount of the lessor of 10% of the District's RCL or $4,600,000 in November 2016. The override will be good for seven years beginning July 1, 2017 and will cover technology, preventative maintenance, and curriculum.

The District is presently operating on a 15% override for maintenance and operation funds for programming. In November 2015, the District patrons approved this additional funding for seven more years beginning July 1, 2016. The funding associated with Funds 011, 012, and 013, also known as Prop 301 or Classroom Site Funds (CSF) increased 1.5%. This is seen as a positive since funding is based on sales tax revenue funds.

AWARDS AND ACKNOWLEDGMENTS

Awards. The Association of School Business Officials (ASBO) awarded a Certificate of Excellence in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-sixth consecutive year that the District has received this prestigious award. In addition, the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement in Financial Reporting to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded these certificates, the District published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

These Certificates are valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Programs' requirements, and we are submitting it to ASBO and GFOA to determine its eligibility for fiscal year 2015-16 certificates.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the business services division. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the Governing Board of the District, preparation of this report would not have been possible.

Respectfully submitted,

Quinn Kellis, Ed.D.
Superintendent

Lori Garvey
Assistant Superintendent for
Administrative Services

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2016

GOVERNING BOARD

Sasha Glassman
President

Mitra Khazai
Clerk

Sarah Speer
Member

Scott Holcomb
Member

Marcus Osborn
Member

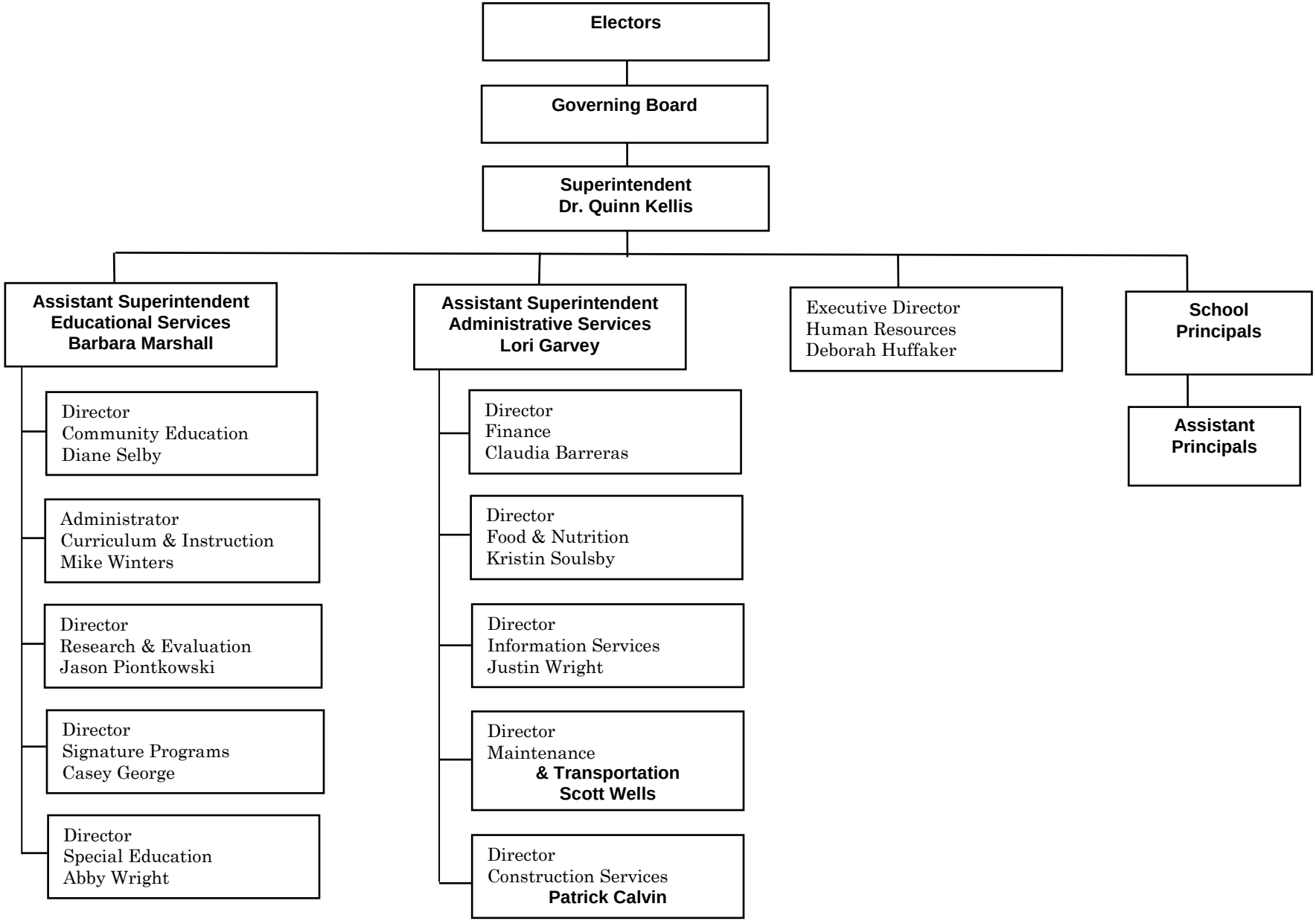
ADMINISTRATIVE STAFF

Quinn R. Kellis, Ed.D.
Superintendent

Lori Garvey, CPA
Assistant Superintendent for
Administrative Services

Barbara Marshall
Assistant Superintendent for
Educational Services

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
ORGANIZATIONAL CHART
JUNE 30, 2016



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting Award
is presented to

Madison Elementary School District No. 38

for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.

Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso, CAE, RSBA
Executive Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Madison Elementary School District No. 38, Arizona

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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FINANCIAL SECTION

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Governing Board
Madison Elementary School District No. 38
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Elementary School District No. 38, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Madison Elementary School District No. 38 as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, other postemployment benefit information and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison Elementary School District No. 38's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Governing Board
Madison Elementary School District No. 38

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, on our consideration Madison Elementary School District No. 38's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Elementary School District No. 38's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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As management of the Madison Elementary School District No. 38 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $20,593,357 (net position).
- The District's total net position increased by $7,856,265.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $38,593,339, a decrease of $15,373,894 in comparison with the prior year. The most significant factor for the decrease was the usage of bond building funds due to construction projects which included the rebuild of an elementary school.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $13,717,929, or 36.9% of total General Fund expenditures.
- The District's total bonded debt decreased by $8,810,000 (10.8%) during the current fiscal year. The decrease was due to regular debt payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are for public education.

The government-wide financial statements can be found immediately following this MD&A.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- *Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Other Special Revenue Fund, Bond Building Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

  An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

  As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

  The basic governmental fund financial statements can be found on pages 23 - 28 of this report.

- *Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund includes the student activities and employee withholding funds reported as agency funds. Agency funds are custodial in nature and do not present results of operations or a measurement focus.

The basic fiduciary fund financial statement can be found on page 29 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30 - 55 of this report.

Required Supplementary Information Other Than MD&A

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's pension and the budgetary schedule of the General Fund and Other Special Revenue Fund. Required supplementary information may be found on pages 56 - 61.

Governments have the option of presenting budgetary comparison schedules for the General Fund and major Special Revenue Funds as part of the basic financial statements or as required supplementary information other than MD&A. The District has presented the General Fund and Other Special Revenue Fund budgetary comparison schedules as required supplementary information.

Other Information

The combining and individual fund financial statements are presented immediately following the note to required supplementary information. Combining and individual fund statements and schedules can be found on pages 62 - 74 of this report.

The statistical section includes selected financial demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 75 - 93 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $20,593,357 at the close of the most recent fiscal year.

Net Position

A summary of the District's statement of net position is as follows:

Table A-1
The District's Net Position

	Governmental Activities		
	2016	2015	% Change
Assets:			
Current and Other Assets	$ 58,828,720	$ 72,740,218	-19.1 %
Capital Assets, Net	99,897,834	86,609,921	15.3
Total Assets	158,726,554	159,350,139	-0.4
Deferred Outflows of Resources	5,629,443	7,061,584	-20.3
Liabilities:			
Current and Other Liabilities	17,619,284	16,823,643	4.7
Long-Term Liabilities	122,166,015	129,494,565	-5.7
Total Liabilities	139,785,299	146,318,208	-4.5
Deferred Inflows of Resources	3,977,341	7,356,423	-45.9
Net Position:			
Net Investment in Capital Assets	41,702,942	36,479,785	14.3
Restricted	8,478,182	7,505,774	13.0
Unrestricted	(29,587,767)	(31,248,467)	-5.3
Total Net Position	$ 20,593,357	$ 12,737,092	61.7

By far the largest portion of the District's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in the net investment of capital assets and restricted net position. Unrestricted net position reported a deficit of $29,587,767. The deficit is mainly due to the implementation of GASB No. 68 and 71 in the prior year which lead to a restatement of net position and the reporting of the District's net pension liability going forward. The District's net position increased by $7,856,265 during the current fiscal year.

Changes in Net Position

A summary of the District's statement of activities is as follows:

Table A-2
Changes in Net Position

	Governmental Activities		
	2016	2015	% Change
REVENUES			
Program Revenues:			
Charges for Services	$ 6,552,138	$ 6,216,221	5.4 %
Operating Grants and Contributions	7,124,468	7,078,859	0.6
General Revenues:			
Property Taxes	36,946,942	36,084,922	2.4
Unrestricted State, County and Federal Aid	13,091,289	11,683,162	12.1
Investment Earnings	260,628	156,966	66.0
Other	643,396	596,970	7.8
Total Revenues	64,618,861	61,817,100	4.5
EXPENSES			
Instruction	26,284,948	26,043,027	0.9
Support Services:			
Students and Staff	5,719,318	5,491,393	4.2
Administration	6,948,868	6,569,661	5.8
Operation and Maintenance of Plant	7,098,016	6,675,133	6.3
Student Transportation	2,039,168	1,903,516	7.1
Operation of Noninstructional Services	6,207,372	5,666,565	9.5
Interest on Long-Term Debt	2,464,906	3,022,663	-18.5
Total Expenses	56,762,596	55,371,958	2.5
CHANGE IN NET POSITION	7,856,265	6,445,142	21.9
Net Position - Beginning of Year	12,737,092	6,291,950	102.4
NET POSITION - END OF YEAR	$ 20,593,357	$ 12,737,092	61.7

Charges for services increased $335,917 (5.4%) due to an increase in before/after school tuition charges and new programs being offered by the District.

Property tax revenue increased $862,020 (2.4%) due to an increase in assessed property values.

Unrestricted State, County and Federal Aid increased $1,408,127 (12.1%) due to an increase in state equalization funding during the current year.

Operating grant and contributions increased by $45,609 (0.6%) mainly due to a decrease in ADE grant funding.

Other revenue increased $46,426 (7.8%) mainly due to an increase in renting of unused school space.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $38,593,339, a decrease of $15,373,894 in comparison with the prior year. Approximately 36% of this total amount ($13,717,929) constitutes unassigned fund balance, which is available for spending at the government's discretion. Additionally, 43% ($16,515,215) of fund balance is restricted in the Bond Building Fund from bond proceeds received in the prior year. The remainder of spendable fund balance is restricted to indicate that is not available for new spending.

At June 30, 2016, fund balances were as follows:

Table A-3
Fund Balances

Fund	Balance	Increase (Decrease) From 2014-15
General Fund	$ 13,756,367	$ 1,470,101
Bond Building Fund	16,515,215	(17,893,766)
Debt Service Fund	1,153,922	(602,452)
Other Special Revenue	3,725,154	629,697
Nonmajor Governmental Funds	3,442,681	1,022,526

The General Fund increase of $1,470,101 was primarily due to an increase in state aid revenues from an increase in funding.

The Bond Building Fund decrease of $17,893,766 was due to the usage of bond building funds for construction projects which included the rebuild of an elementary school.

The Debt Service Fund decrease of $602,452 was a result of principal and interest payments on School Improvement Bonds.

The Other Special Revenue Fund increase of $629,697 was mostly due to an increase in charges for services revenue from the District's before/after school programs which. During the current year, these programs raised their rates and participation to increase the generated revenue.

The Nonmajor Governmental Funds increase of $1,022,526 was mostly due to an increase in property tax rates for the Adjacent Ways fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled $1,288,677. In Arizona, school districts build their original "adopted" budget based on the previous year's 100th day average daily attendance. The District is allowed to increase or decrease its budget. The most significant factors for the increase in budgeted expenditures were an increase in student enrollment and a transfer of budget from capital to maintenance and operations.

Actual expenditures of the General Fund were $1,469,048 less than the final budget amounts due to the District taking cost-cutting measures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, amounts to $99,897,834 (net of accumulated depreciation). This net investment in capital assets includes land, land improvements, buildings and improvements, and furniture, equipment and vehicles. The net increase in the District's net investment in capital assets for the current fiscal year was 15.3%.

Major capital asset events during the fiscal year included the following:

- Various Remodeling Projects, primarily the Simis Building.
- Upgrade of the chiller at the Heights location.

Table A-4
Capital Assets (Net)

	Governmental Activities	
	2016	2015
Land	$ 3,420,264	$ 3,420,264
Construction in Progress	18,096,803	2,027,278
Land Improvements	3,726,863	3,922,076
Buildings and Improvements	71,599,196	73,430,007
Furniture, Equipment, and Vehicles	3,054,708	3,810,296
Total Capital Assets, Net	$ 99,897,834	$ 86,609,921

Additional information on the District's capital assets can be found in Note 3.A.4. of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of $72,685,000. This debt is backed by the full faith and credit of the District.

Table A-5
Outstanding Obligations

	Governmental Activities	
	2016	2015
Bonds Payable	$ 72,685,000	$ 81,495,000
Premium on Bonds Payable	2,717,783	3,044,117
Compensated Absences Payable	2,508,843	2,519,765
Postemployment Benefits Payable	329,542	367,520
Total Outstanding Debt	$ 78,241,168	$ 87,426,402

The District's bonded debt decreased by $8,810,000 (10.8%) during the current fiscal year. This change was due to regularly scheduled principal payments.

The District's general obligation bonds are subject a Constitutional debt limit (total debt limit) on all general obligation bonds (up to 15% of the total secondary assessed valuation). The current total debt limitation for the District is $151,711,082 which is more than the District's total outstanding general obligation bonded debt. At June 30, 2016 the District's net Class B bonded debt outstanding was $72,685,000 which was below the Class B debt limit of $101,140,721.

Additional information on the District's long-term debt can be found in Notes 3.D. and 3.E. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2016-17 budget. Among them:

- Fiscal year 2015-16 budget balance carry-forward (estimated $600,000)
- Maintain current year enrollment
- State budget funding increase of 0.99% in Maintenance and Operations (M&O) Fund
- State budget additional funding of $245,000 in M&O Fund
- State budget funding decrease of 87.26% in District Additional Assistance (Capital) Fund
- Employee salaries increased 1.0%
- District-provided health insurance increased 11.02%

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Madison Elementary School District No. 38 Business and Finance Department, 5601 North 16th Street, Phoenix, Arizona, 85016-2999.

BASIC FINANCIAL STATEMENTS

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and Investments	$ 32,555,082
Restricted Assets	18,969,457
Receivables:	
Accounts Receivable	205,916
Property Taxes	2,824,535
Intergovernmental	4,214,639
Inventory, at Cost	59,091
Capital Assets:	
Non-Depreciable	21,517,067
Depreciable, Net	78,380,767
Total Assets	158,726,554
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources from Pensions	4,936,767
Deferred Outflows of Resources from Refunding	692,676
Total Deferred Outflows of Resources	5,629,443
LIABILITIES	
Accounts Payable	4,171,972
Accrued Wages and Benefits	2,291,797
Accrued Interest	1,357,096
Retainage Payable	716,488
Unearned Revenue	271,931
Matured Debt Principal Payable	8,810,000
Long-Term Liabilities:	
Net Pension Liability	43,924,847
Due Within One Year	9,671,146
Due in More Than One Year	68,570,022
Total Liabilities	139,785,299
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources from Pensions	3,977,341
NET POSITION	
Net Investment in Capital Assets	41,702,942
Restricted for:	
Instructional Improvement	96,310
Classroom Site	613,074
Special Projects	16,181
Food Service	711,471
Debt Service	1,300,636
Adjacent Ways	2,015,356
Community Education	2,387,683
Extracurricular Tax Credit	541,727
Civic Center	774,972
Other Special Revenue	20,772
Unrestricted	(29,587,767)
Total Net Position	$ 20,593,357

See accompanying Notes to Basic Financial Statements.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 26,284,948	$ 5,447,725	$ 4,153,641	$ -	$ (16,683,582)
Support Services:					
Students	3,081,917	-	496,630	-	(2,585,287)
Instructional Staff	2,637,401	-	522,125	-	(2,115,276)
General Administration	1,599,818	-	-	-	(1,599,818)
School Administration	2,202,798	-	235	-	(2,202,563)
Business and Other Support Services	3,146,252	-	216,767	-	(2,929,485)
Operation and Maintenance of Plant	7,098,016	-	1,964	-	(7,096,052)
Student Transportation	2,039,168	-	-	-	(2,039,168)
Operation of Noninstructional Services	6,207,372	1,104,413	1,733,106	-	(3,369,853)
Interest on Long-Term Debt	2,464,906	-	-	-	(2,464,906)
Total	$ 56,762,596	$ 6,552,138	$ 7,124,468	$ -	(43,085,990)

General Revenues:	
Property Taxes	36,946,942
Grants and Contributions Not Restricted to Specific Programs:	
State Equalization and Additional State Aid	11,942,536
County Equalization	895,811
Federal Aid, Not Restricted	252,942
Investment Earnings	260,628
Other	643,396
Total General Revenues	50,942,255
Change in Net Position	7,856,265
Net Position - Beginning	12,737,092
Net Position - Ending	$ 20,593,357

See accompanying Notes to Basic Financial Statements.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Other Special Revenue	Bond Building	Debt Service
Assets				
Cash and Investments	$ 13,265,686	$ 4,075,487	$ -	$ 11,278,898
Restricted Assets	-	-	18,969,457	-
Receivables:				
Accounts Receivable	19,563	186,353	-	-
Property Taxes	2,619,549	-	-	188,834
Intergovernmental	3,387,685	-	-	-
Inventory, at Cost	38,438	-	-	-
Due from Other Funds	426,090	-	-	-
Total Assets	$ 19,757,011	$ 4,261,840	$ 18,969,457	$ 11,467,732
Liabilities, Deferred Inflows, and Fund Balance				
Liabilities:				
Accounts Payable	$ 2,316,890	$ 81,608	$ 1,737,754	$ -
Accrued Wages and Benefits	1,224,082	183,147	-	-
Retainage Payable	-	-	716,488	-
Accrued Interest	-	-	-	1,357,096
Due to Other Funds	-	-	-	-
Unearned Revenue	-	271,931	-	-
Matured Debt Principal Payable	-	-	-	8,810,000
Total Liabilities	3,540,972	536,686	2,454,242	10,167,096
Deferred Inflows of Resources:				
Unavailable Revenue	2,459,672	-	-	146,714
Fund Balance:				
Nonspendable:				
Inventory	38,438	-	-	-
Restricted	-	3,725,154	16,515,215	1,153,922
Unassigned	13,717,929	-	-	-
Total Fund Balance	13,756,367	3,725,154	16,515,215	1,153,922
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 19,757,011	$ 4,261,840	$ 18,969,457	$ 11,467,732

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
$ 3,935,011	$ 32,555,082
-	18,969,457
-	205,916
16,152	2,824,535
826,954	4,214,639
20,653	59,091
-	426,090
$ 4,798,770	$ 59,254,810

$ 35,720	$ 4,171,972
884,568	2,291,797
-	716,488
-	1,357,096
426,090	426,090
-	271,931
-	8,810,000
1,346,378	18,045,374
9,711	2,616,097
20,653	59,091
3,422,028	24,816,319
-	13,717,929
3,442,681	38,593,339
$ 4,798,770	$ 59,254,810

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MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances for Governmental Funds	$	38,593,339
Amounts reported for governmental activities in the statement of activities are different because:		
Property taxes not collected within 60 days subsequent to fiscal year end are unavailable in the governmental funds.		2,616,097
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental Capital Assets		155,635,039
Less: Accumulated Depreciation		(55,737,205)
Capital Assets Used in Governmental Activities		99,897,834
Deferred outflows relating to issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.		692,676
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		4,936,767
Deferred Inflows of Resources Related to Pensions		(3,977,341)
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds Payable		(72,685,000)
Premium on Bonds Payable		(2,717,783)
Net Pension Liability		(43,924,847)
Compensated Absences Payable		(2,508,843)
Other Postemployment Benefits Payable		(329,542)
Total Net Position of Governmental Activities	$	20,593,357

See accompanying Notes to Basic Financial Statements.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Other Special Revenue	Bond Building	Debt Service
Revenue:				
Property Taxes	$ 24,791,390	$ -	$ -	$ 10,500,915
Intergovernmental	13,091,289	-	-	244,117
Food Service Sales	-	-	-	-
Charges for Services	113,268	5,334,457	-	-
Contributions and Donations	145,116	620,811	-	-
Investment Earnings	41,559	20,482	-	176,792
Other	136,521	506,875	-	-
Total Revenue	38,319,143	6,482,625	-	10,921,824
Expenditures:				
Current:				
Instruction	18,710,785	909,589	724,725	-
Support Services:				
Students	2,499,894	-	-	-
Instructional Staff	2,071,735	12,746	-	-
General Administration	1,356,076	-	-	-
School Administration	2,203,589	-	-	-
Business and Other Support Services	3,126,284	241,405	14,922	-
Operation and Maintenance of Plant	5,005,732	908,277	-	-
Student Transportation	1,705,362	84,670	314,336	-
Operation of Noninstructional Services	82,659	3,646,763	-	-
Debt Service:				
Principal Retirement	-	-	-	8,810,000
Interest on Long-Term Debt	-	-	-	2,714,276
Capital Outlay:				
Facilities Acquisition	426,832	49,478	16,839,783	-
Total Expenditures	37,188,948	5,852,928	17,893,766	11,524,276
Excess (Deficiency) of Revenue Over Expenditures	1,130,195	629,697	(17,893,766)	(602,452)
Other Financing Sources (Uses):				
Transfers In	328,461	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	328,461	-	-	-
Net Change in Fund Balance	1,458,656	629,697	(17,893,766)	(602,452)
Fund Balance:				
Beginning of Year	12,286,266	3,095,457	34,408,981	1,756,374
Increase in Inventories	11,445	-	-	-
End of Year	$ 13,756,367	$ 3,725,154	$ 16,515,215	$ 1,153,922

See accompanying Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Totals
$ 988,168	$ 36,280,473
6,114,425	19,449,831
1,104,413	1,104,413
-	5,447,725
-	765,927
21,508	260,341
-	643,396
8,228,514	63,952,106
3,166,625	23,511,724
496,868	2,996,762
522,375	2,606,856
-	1,356,076
235	2,203,824
216,871	3,599,482
1,965	5,915,974
-	2,104,368
2,468,855	6,198,277
-	8,810,000
-	2,714,276
9,685	17,325,778
6,883,479	79,343,397
1,345,035	(15,391,291)
-	328,461
(328,461)	(328,461)
(328,461)	-
1,016,574	(15,391,291)
2,420,155	53,967,233
5,952	17,397
$ 3,442,681	$ 38,593,339

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances-Total Governmental Funds	$ (15,391,291)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for Capital Assets	18,376,933
Less: Current Year Depreciation	(4,750,571)
Excess Capital Expenditures Over Depreciation	13,626,362
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	(338,449)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	666,755
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long term debt increases long term liabilities on the statement of net position and the repayment of principal on long term debt reduces long term debt on the statement of net position.	
Principal Payments on Bonds	8,810,000
Amortization of Premium and Deferred Amount on Refunding	249,370
Governmental funds report District pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.	
Pension Contributions	2,958,848
Pension Expense	(2,791,627)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Net Decrease in Compensated Absences	10,922
Net Decrease in Other Postemployment Benefits Liability	37,978
Change in Inventory Balances	17,397
Change in Net Position of Governmental Activities	$ 7,856,265

See accompanying Notes to Basic Financial Statements.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016

	Agency Funds
ASSETS	
Cash and Investments	$ 137,946
LIABILITIES	
Due to Student Groups	$ 61,952
Deposits Held for Others	75,994
Total Liabilities	$ 137,946

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Madison Elementary School District No. 38 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District is a special purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. In evaluating how to define the District, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in accounting principles generally accepted in the United States of America. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the District) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the District's reporting entity, none have been included in the District's reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

The Fiduciary Funds include only agency funds. Agency funds are custodial in nature and do not present results of operations or a measurement focus. They are accounted for on the accrual basis of accounting.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

Major Governmental Funds

General Fund

The General Fund is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. It is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and special K-3 program override.

Other Special Revenue

The Other Special Revenue Fund is a special revenue fund which accounts for the revenues and expenditures of the following activities or objectives: community school, extracurricular activities fee tax credit, vocational education projects, insurance refunds, textbooks, and joint technological education.

Bond Building Fund

The Bond Building Fund, a Capital Projects Fund, accounts for monies received from District bond issues that are used to acquire sites, construct school buildings, supply school buildings with furniture and apparatus, improve school grounds, and purchase pupil transportation vehicles.

Debt Service Fund

The Debt Service Fund accounts for resources accumulated and used for the payment of long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund type:

Agency Funds

The Agency Funds are custodial in nature and do not present results of operations or a measurement focus and are described as follows:

The Student Activities Fund accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Governmental Funds (Continued)

Agency Funds (Continued)

The Employee Withholding Fund accounts for voluntary deductions and employee payroll checks temporarily held by the District until distributed.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use for governmental activities, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

The District's cash and investments include cash on hand, demand deposits, and cash and investments held by the County Treasurer.

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Debt Service and Bond Building Funds, which is invested separately. As required by statute, interest earned by the Debt Service and Bond Building Funds is recorded in the Debt Service Fund.

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

2. Receivables

Maricopa County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

3. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. In addition, certain payments to vendors reflect costs applicable to future accounting periods. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

5. Restricted Assets

Proceeds of the District's bonds are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

6. Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture, equipment and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

6. Capital Assets (Continued)

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land improvements	5-20 Years
Buildings and improvements	15-75 Years
Furniture, equipment and vehicles	5-15 Years

7. Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions and deferred outflows from the refunding of bonds.

8. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Full-time certified employees earn twelve days of sick leave each contract year. Full-time classified employees earn sick leave at the rate of one day per month. Only employees who have been with the District for five years or more qualify to be reimbursed for accumulated sick leave. In the event of termination, an employee is reimbursed for accrued sick leave at varying rates depending on position of classified or certified and the number of sick days accumulated. All twelve-month classified employees earn vacation; however, accumulated vacation as of June 30 must be used before the following December 1. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from ASRS fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2016 or within 60 days of fiscal year end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the District reports all District assets which make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

13. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision-making authority within the District. Only the Governing Board can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Governing Board has authorized the Assistant Superintendent of Administrative Services to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

13. Fund Balance Classifications (Continued)

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for expenditures for all governmental fund types, on essentially the same modified accrual basis of accounting used to record actual expenditures. The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year end. An annual budget of revenue from all sources is not prepared.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within four subsections (see preceding description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

B. Excess of Expenditures Over Appropriations

For the fiscal year ending June 30, 2016, the District had the following overexpenditure:

	Amount of Overexpenditure
General Fund:	
Special Education	$ 8,334

Cash was available to meet the current year overexpenditure.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2016 consist of the following:

Deposits:	
Cash in Bank	$ 2,776,011
Cash on Deposit with County Treasurer	48,886,474
Total Deposits	51,662,485
Less: Restricted Assets	(18,969,457)
Less: Fiduciary Funds	(137,946)
Total Cash and Investments	$ 32,555,082

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk. However, the bank balance of cash in bank at June 30, 2016 was $3,099,437. Of the bank balance, $250,000 was insured by federal depository insurance and the remainder ($2,849,437) was insured by the statewide pooled collateral program.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Investments

At June 30, 2016, the District's investments were reported at fair value. The District's investments consisted of cash on deposit with the County Treasurer.

Custodial Credit Risk – The District does not have a formal policy for custodial credit risk. The District's investment in the County Treasurer's investment pools represents a proportionate interest in those pools' portfolios; however, the District's portion is not identified with specific investment and is not subject to custodial credit risk.

Interest Rate Risk – The District does not have a formal investment policy regarding interest rate risk, however, the District manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio to one year or less.

Credit Risk – The District does not have a formal investment policy regarding credit risk. However, the District is prohibited by State law from investing in investments other than State and County Treasurer's investment pools, U.S. Treasury obligations, specified state and local government bonds and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements. The District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Concentration of Credit Risk – The District does not have an investment policy with respect to concentration credit risk. The District's investments consist of cash and investments on deposit with County Treasurer previously discussed.

2. Restricted Assets

Restricted assets at June 30, 2016, consisted of the following:

	Bond Building Fund
Future Construction	$ 18,969,457

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also reports unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable:		
General Fund	$ 2,459,672	$ -
Debt Service Fund	146,714	-
Nonmajor Governmental Funds	9,711	-
Tuition Revenue:		
Other Special Revenue Fund	-	271,931
Total	$ 2,616,097	$ 271,931

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 3,420,264	$ -	$ -	$ 3,420,264
Construction in Progress	2,027,278	16,580,723	(511,198)	18,096,803
Total Capital Assets, Not Being Depreciated	5,447,542	16,580,723	(511,198)	21,517,067
Capital Assets, Being Depreciated:				
Land Improvements	11,196,628	279,403	-	11,476,031
Buildings and Improvements	108,886,278	1,613,501	-	110,499,779
Vehicles, Furniture, and Equipment	14,034,205	414,504	(2,306,547)	12,142,162
Total Capital Assets, Being Depreciated	134,117,111	2,307,408	(2,306,547)	134,117,972
Accumulated Depreciation for:				
Land Improvements	(7,274,552)	(474,616)	-	(7,749,168)
Buildings and Improvements	(35,456,271)	(3,444,312)	-	(38,900,583)
Vehicles, Furniture, and Equipment	(10,223,909)	(831,643)	1,968,098	(9,087,454)
Total Accumulated Depreciation	(52,954,732)	(4,750,571)	1,968,098	(55,737,205)
Total Capital Assets, Being Depreciated, Net	81,162,379	(2,443,163)	(338,449)	78,380,767
Governmental Activities Capital Assets, Net	$ 86,609,921	$ 14,137,560	$ (849,647)	$ 99,897,834

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	$ 2,568,042
Support Services:	
Students and Staff	113,422
Instructional Staff	39,610
General Administration	278,276
Business and Other Support Services	198,511
Operation and Maintenance of Plant	1,274,204
Student Transportation	216,035
Operation of Noninstructional Services	62,471
Total Depreciation Expense	$ 4,750,571

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

The District has active construction projects at June 30, 2016. At fiscal year end the District's commitments with contractors were as follows:

	Governmental Activities	
Project	Spent-to-Date	Estimated Remaining
Park Common	$ 162,067	$ 3,178,933
Parking Garage	44,768	13,752,159
Simis Rebuild	16,594,347	2,408,499
Heights Lighting	481,007	225,001
Heights Chiller	807,114	145,052
Meadows Partial Replacement	4,500	7,191,000
Warehouse	3,000	2,150,000
Totals	$ 18,096,803	$ 29,050,644

B. Interfund Receivables, Payables and Transfers

As of June 30, 2016, interfund receivable and payables were as follows:

	Due From
Due To	Nonmajor Governmental Funds
General Fund	$ 426,090

The preceding interfund receivables and payables are the result of short-term borrowings to cover deficit cash balances at year end. The District expects to recover the deficits in the next fiscal year

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	Transfers Out
Transfers In	Nonmajor Governmental Funds
General Fund	$ 328,461

Transfers were used to move grant and food service monies received for indirect costs to the District's indirect cost pool.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Short-Term Obligations

During the fiscal year, the District paid off short-term Tax Anticipation Notes (TANS). The District had issued the TANS during the prior fiscal year to finance its operations during times of the fiscal year where property tax collections were not sufficient to fund operations. The TANS were paid from property tax revenue from the General Fund. The District did not issue new TANS during the fiscal year.

Changes in short-term obligations for the year ended June 30, 2016 are as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Governmental Activities				
Tax Anticipation Notes	$ 2,000,000	$ -	$ (2,000,000)	$ -

D. Obligations Under Leases

Operating Leases

The District leases various equipment items under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases totaled $284,708 for the year ended June 30, 2016. The operating leases have remaining lease terms from one year or less and provide renewal options. The future minimum lease payments under the leases to be paid from the General Fund as of June 30, 2016, are as follows:

Year Ending June 30,	Amount
2017	$ 118,372

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The District had long-term bonds payable to provide funds for the acquisition and construction of major capital facilities. The District issued debt to refund earlier obligations with higher interest rates. The bonds are both callable and non-callable with interest payable semiannually. The principal and interest paid on the bonds are recorded in the Debt Service Fund. Compensated absences and other postemployment benefits are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Original Issue Amounts	Amount Outstanding	Due Within One Year
School Improvement Bonds, Series 2010A	4.00-5.96%	$ 18,000,000	$ 13,870,000	$ 1,400,000
School Improvement Bonds, Series 2011B	2.50-5.00%	12,000,000	10,400,000	1,700,000
School Improvement Bonds, Series 2015A	2.00-3.25%	34,000,000	29,990,000	3,740,000
Refunding Bonds, Series 2015	2.00-3.25%	19,700,000	18,425,000	2,000,000
Total General Obligation Bonds Payable		$ 83,700,000	$ 72,685,000	$ 8,840,000

Changes in long-term obligations for the year ended June 30, 2016 are as follows:

	July 1, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 81,495,000	$ -	$ (8,810,000)	$ 72,685,000	$ 8,840,000
Premium on Bonds Payable	3,044,117	-	(326,334)	2,717,783	-
Total Bonds Payable	84,539,117	-	(9,136,334)	75,402,783	8,840,000
Other Liabilities:					
Compensated Absences	2,519,765	824,692	(835,614)	2,508,843	831,146
Other Postemployment Benefits	367,520	117,233	(155,211)	329,542	-
Total Other Liabilities	2,887,285	941,925	(990,825)	2,838,385	831,146
Governmental Activities Long-Term Debt	$ 87,426,402	$ 941,925	$ (10,127,159)	$ 78,241,168	$ 9,671,146

The following table summarizes the District's debt service requirements on long-term bonds to maturity at June 30, 2016.

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2017	$ 8,840,000	$ 2,479,241
2018	8,875,000	2,212,299
2019	8,380,000	1,848,667
2020	9,035,000	1,597,184
2021	9,385,000	1,331,072
2022-2026	28,170,000	3,057,753
Totals	$ 72,685,000	$ 12,526,216

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Fund Balance Classifications of Governmental Funds

The District has classified its fund balances as follows:

	General Fund	Bond Building Fund	Debt Service Fund	Other Special Revenue Funds	Nonmajor Governmental Funds	Totals
Fund Balances:						
Nonspendable:						
Inventory	$ 38,438	$ -	$ -	$ -	$ 20,653	$ 59,091
Restricted:						
Classroom Site	-	-	-	-	613,074	613,074
Instructional Improvement	-	-	-	-	96,310	96,310
Special Projects	-	-	-	-	16,181	16,181
Food Service	-	-	-	-	690,818	690,818
Community Education	-	-	-	2,387,683	-	2,387,683
Noninstructional Programs	-	-	-	541,727	-	541,727
Civic Center	-	-	-	774,972	-	774,972
Other Special Revenues	-	-	-	20,772	-	20,772
Capital Projects	-	16,515,215	-	-	-	16,515,215
Adjacent Ways	-	-	-	-	2,005,645	2,005,645
Debt Service	-	-	1,153,922	-	-	1,153,922
Total Restricted	-	16,515,215	1,153,922	3,725,154	3,422,028	24,816,319
Unassigned	13,717,929	-	-	-	-	13,717,929
Total Fund Balance	$ 13,756,367	$ 16,515,215	$ 1,153,922	$ 3,725,154	$ 3,442,681	$ 38,593,339

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is $5 million per occurrence on a claims made basis. Excess coverage is for an additional $5 million per occurrence on a follow form, claims made basis.

The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The District is insured by the Alliance, of which the District is a participating member, for potential worker related accidents. The Alliance is structured such that member premiums are a percentage of that member's salary expenditures. The percentage is based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool is secondarily insured by a commercial insurance carrier should reserves and annual premiums be insufficient to meet the pool's obligations.

B. Retirement Plans

Cost Sharing Employer Plans

The District contributes to the Arizona State Retirement System (ASRS). The plan is a component unit of the State of Arizona.

At June 30, 2016, the District reported the following amounts related to ASRS:

Statement of Net Position and Statement of Activities	Governmental Activities
Net Pension Liability	$ 43,924,847
Deferred Outflows of Resources	4,936,767
Deferred Inflows of Resources	3,977,341
Pension Expense	2,791,627

The District reported $3,028,208 of pension expenditures in the governmental funds.

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System

Plan Description – District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final Average Salary is Based On	Highest 36 Consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47% (11.35% for retirement and 0.12% for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.47% (10.85% for retirement, 0.50% for the health insurance premium benefit, and 0.12% for long-term disability) of the active members' annual covered payroll.

In addition, the District was required by statute to contribute at the actuarially determined rate of 9.36% (9.17% for retirement and 0.13% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan for the year ended June 30, 2016, was $3,028,208. The District's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	$ 139,549	$ 33,492
2015	157,001	31,932
2014	153,836	61,534

During the fiscal year ended June 30, 2016 the District paid for ASRS pension and OPEB contributions as follows: 80% from the General Fund, 10% for the Other Special Revenue Fund and 10% from the Nonmajor Governmental Funds.

Pension Liability – At June 30, 2016, the District reported a liability of $43,924,847 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015.

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Liability (Continued) –The District's reported liability at June 30, 2016, increased by $1,856,684 from the District's prior year liability of $42,068,163 because of changes in the ASRS' net pension liability and the District's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

The District's proportion of the net pension liability was based on the District's FY 2015 contributions. The District's proportion measured as of June 30, 2015, was 0.281995%, which was a decrease of 0.002314 from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the District recognized pension expense for ASRS of $2,791,627. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,198,614	$ 2,301,706
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,407,694
Changes in proportion and differences between District's contributions and proportionate share of contributions	709,945	267,941
Contributions subsequent to the measurement date	3,028,208	-
Total	$ 4,936,767	$ 3,977,341

The $3,028,208 reported as deferred outflows of resources related to ASRS pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	$ (507,857)
2017	(1,535,543)
2018	(1,041,562)
2019	1,016,180

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2014
Actuarial Roll Forward Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return
Equity	58%	3.94%
Fixed Income	25%	0.93%
Real Estate	10%	0.42%
Commodities	2%	0.08%
Multi-asset class	5%	0.17%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7%) or one percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	$ 57,556,560	$ 43,924,847	$ 34,582,656

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

C. Other Postemployment Benefits

In addition to the pension benefits described above, the District provides postemployment health care and life insurance benefits to eligible retirees under a single-employer plan in accordance with the compensation plan adopted by the District's Governing Board.

The cost of postemployment benefits, from an accrual basis of accounting perspective, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In implementing the requirements of GASB Statement No. 45 - *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, the District recognizes the cost of postemployment benefits in the year the employee services are received, reports accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Recognition of the liability accumulated from the prior years will be amortized over 5 years, the first period commencing with the fiscal year ending June 30, 2010. The plan does not issue a separate financial report. There are no years remaining of the 5-year closed amortization period.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Plan Description

For retirements on or after July 1, 2008, the District will support the life insurance and low cost health insurance plan available through the Arizona State Retirement System (ASRS), up to age 65, upon retirement of an employee working 30 hours or more per week who has 10 or more years of continuous District service. The District will contribute the difference in premium between the actual premium charged for the retiree and the amount contributed to the retiree for retiree medical coverage by the Arizona State Retirement System. Coverage under the District's medical plan shall be discontinued on the first of the month following retirement for the retiree and covered dependents.

The District has discontinued benefits with respect to all new retirements after July 1, 2010. New retirees after that date may go onto the ASRS medical plans and self-pay programs.

The District pays for retiree-only coverage, except that in the case of retirements after July 1, 2008 into ASRS, the District contribution will be limited to the cost of the low-cost option for Maricopa, Pima, and Pinal Counties. Retirees may elect to self-pay for dependent coverage. Premiums are subsidized by the State of Arizona at a maximum rate of $150 per month ($260 per month for retiree and spouse), with the balance after the District's contribution, if any, being the responsibility of the retiree.

Benefits Provided

The District provides postretirement healthcare coverage on behalf of its eligible retirees up to age 65 who were eligible on or before June 30, 2010. As of 2009-10, the District changed to the Arizona School Board Association Insurance Trust ("ASBAIT") PPO "B25". Retirees before that date may stay in the ASBAIT plans, or move into ASRS low-cost HMO option for health coverage. The District also offers dental insurance through Delta Dental and Assurant Dental, and life insurance through Aetna.

As of June 30, 2016, membership consisted of:

Retirees	28
Active Employees	-
Total	28

Funding Policy

For each eligible retiree, the District makes monthly contributions to pay for the costs of insurance premiums. During the fiscal year ended June 30, 2016, the District reimbursed no more than $673 per month. The expenditures are recorded on a reimbursement basis. During the year ended June 30, 2016, the District contributed $155,211 for all eligible retirees.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Annual OPEB Costs and Net OPEB Obligation

The District's annual other post-employment benefit costs is calculated based on the annual required contribution (ARC) of the employer, an amount estimated based on the actuarially determined amount from July 1, 2012 in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District's annual OPEB cost for the current year and the related information are as follows at June 30, 2016:

Annual Required Contribution (ARC)	$ 224,306
Interest Adjustment to ARC	14,700
Amortization Adjustment to ARC	(121,773)
Annual OPEB Cost	117,233
Contributions Made	(155,211)
Decrease in Net OPEB Obligation	(37,978)
Net OPEB Obligation - Beginning of Year	367,520
Net OPEB Obligation - End of Year	$ 329,542

The District's OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the preceding two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Contributions	Percent Contributed	Net OPEB Obligation
2014	$ 199,291	$ 187,404	94.04	$ 352,291
2015	199,867	184,638	92.38	367,520
2016	117,233	155,211	132.40	329,542

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The actuarial accrued liability for other postemployment benefits at July 1, 2012 (latest available valuation) was $853,442 and the actuarial value of assets was $-0-, resulting in an unfunded actuarial accrued liability (UAAL) of $853,442. The unfunded liability was 3% of annual covered payroll.

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits on the substantive plan (the plan understood by the employer and plan members) include the type of benefits in force at the valuation date and the pattern of sharing benefits between the District and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions used for the fiscal year were as follows:

Actuarial Valuation Date	July 1, 2012 (Latest available valuation)
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level dollar, 3 years amortization closed period
Remaining Amortization Period	3 years
Inflation Rate	2.5%
Actuarial Assumptions	
Investment Rate of Return	4.0%
Healthcare cost trend rates	Medical/Rx - 5.0-8.0%

REQUIRED SUPPLEMENTARY INFORMATION

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MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND PENSION CONTRIBUTIONS
COST SHARING PENSION PLANS
JUNE 30, 2016

Schedule of the District's Proportionate Share of the Net Pension Liability	Reporting Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 (2013)
District's proportion of the net pension liability	0.281995%	0.284310%	0.273444%
District's proportionate share of the net pension liability	$ 43,924,847	$ 42,068,163	$ 45,458,337
District's covered-employee payroll	$ 26,885,009	$ 26,438,562	$ 25,207,387
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.38%	159.12%	180.34%
Plan fiduciary net positon as a percentage of the total pension liability	68.35%	69.49%	N/A

Schedule of District Pension Contributions	2016	2015	2014
Contractually required contribution	$ 3,028,208	$ 2,967,713	$ 2,861,292
Contributions in relation to the contractually required contribution	3,028,208	2,967,713	2,861,292
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 26,586,400	$ 26,885,009	$ 26,438,562
Contributions as a percentage of covered-employee payroll	11.39%	11.04%	10.82%

Note: Information prior to the measurement date (June 30, 2014) was not available.
Additional years' information will be displayed as it becomes available.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll
July 1, 2008	$ -	$ 3,417,602	0.00 %	$ 3,417,602	N/A
July 1, 2010	-	1,123,752	0.00 %	1,132,752	N/A
July 1, 2012	-	853,442	0.00 %	853,442	N/A

Note: The District has changed the provisions of its postemployment benefit plan. Benefits have been discontinued with respect to all new retirements after July 1, 2010. In addition, the District has not performed an actuarial valuation of its plan since July 1, 2012.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue:				
Property Taxes	$ -	$ -	$ 20,216,598	$ 20,216,598
Intergovernmental	-	-	12,838,347	12,838,347
Investment Earnings	-	-	7,075	7,075
Other	-	-	38,759	38,759
Total Revenue	-	-	33,100,779	33,100,779
Expenditures:				
Current:				
Regular Education:				
Instruction	13,128,766	12,869,369	11,605,432	1,263,937
Support Services - Students	580,390	873,113	838,936	34,177
Support Services - Instructional Staff	1,406,000	1,530,500	1,569,811	(39,311)
Support Services - General Administration	622,050	1,282,250	1,352,515	(70,265)
Support Services - School Administration	2,252,000	2,136,600	2,193,168	(56,568)
Support Services - Business and Other	1,935,000	1,754,000	1,581,299	172,701
Operation and Maintenance of Plant	4,461,000	4,859,500	4,773,273	86,227
Operation of Noninstructional Services	53,000	53,000	82,659	(29,659)
Total Regular Education	24,438,206	25,358,332	23,997,093	1,361,239
Special Education:				
Instruction	3,574,300	3,607,192	3,545,133	62,059
Support Services - Students	1,512,800	1,616,222	1,654,031	(37,809)
Support Services - Instructional Staff	302,150	382,100	414,725	(32,625)
Support Services - Business and Other	-	700	659	41
Total Special Education	5,389,250	5,606,214	5,614,548	(8,334)
Pupil Transportation:				
Student Transportation Services	1,450,000	1,590,000	1,473,857	116,143
Special K-3 Reading Program				
Instruction	342,241	353,828	353,828	-
Total Expenditures	31,619,697	32,908,374	31,439,326	1,469,048
Net Change in Fund Balance	(31,619,697)	(32,908,374)	1,661,453	34,569,827
Fund Balance, Beginning of Year	-	-	5,115,563	5,115,563
Increase in Inventories	-	-	11,445	11,445
Fund Balance, End of Year	$ (31,619,697)	$ (32,908,374)	$ 6,788,461	$ 39,696,835

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Charges for Services	$ -	$ -	$ 5,334,457	$ 5,334,457
Contributions and Donations	-	-	620,811	620,811
Investment Earnings	-	-	20,482	20,482
Other	-	-	506,875	506,875
Total Revenue	-	-	6,482,625	6,482,625
Expenditures				
Instruction	7,336,485	7,339,280	909,589	6,429,691
Support Services				
Instructional Staff	-	-	12,746	(12,746)
Business and Other Support Services	-	-	241,405	(241,405)
Operations and Maintenance of Plant	-	-	908,277	(908,277)
Student Transportation	-	-	84,670	(84,670)
Operation of Noninstructional Services	-	-	3,646,763	(3,646,763)
Facilities Acquisition	-	-	49,478	(49,478)
Total Expenditures	7,336,485	7,339,280	5,852,928	1,486,352
Net Change in Fund Balance	(7,336,485)	(7,339,280)	629,697	7,968,977
Fund Balance				
Beginning of Year	-	-	3,095,457	3,095,457
End of Year	$ (7,336,485)	$ (7,339,280)	$ 3,725,154	$ 11,064,434

NOTE 1 COST SHARING PENSION PLAN

Information prior to the measurement date (June 30, 2014) was not available. Additional years' information will be displayed as it becomes available.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Note 3 to required supplementary information for exception). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year end.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within three subsections (see the notes to the financial statements for a description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

Although it is not adopted or published, a budget of revenue from all sources for the fiscal year is prepared by the District; however, the budget is not revised during the fiscal year.

NOTE 3 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedules are prepared on the budgetary basis of accounting. See the reconciliation of the General Fund Statement of Revenues Expenditures and Changes in Fund Balances Budget to Actual to the Statement of Revenues, Expenditures and Changes in Fund Balances below.

For external reporting purposes, the General Fund includes revenues, expenditures, other financing sources, and uses and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund. Therefore the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures and Changes in Fund Balances.

	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Beginning Fund Balance	Ending Fund Balance
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances	$ 38,319,143	$ 37,188,948	$ 328,461	$ 12,286,266	$ 13,756,367
Less: Non Maintenance and Operation Funds included in General Fund for GASB Statement No. 54 Purposes	(5,218,364)	(5,749,622)	(328,461)	(7,170,703)	(6,967,906)
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Budgetary Basis	$ 33,100,779	$ 31,439,326	$ -	$ 5,115,563	$ 6,788,461

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Instructional Improvement Fund - accounts for the revenues and expenditures for State apportioned Indian Gaming monies.

Classroom Site Fund - accounts for the revenues and expenditures of State apportioned education sales tax monies.

Special Projects Fund - accounts for the revenues and expenditures of federal and state projects.

Food Service Fund - accounts for the financial operations of preparing and serving regular and incidental meals and snacks in connection with school functions.

CAPITAL PROJECTS FUND

Adjacent Ways Fund - accounts for monies received to finance such improvements as public streets or alleys adjacent to school property.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Special Revenue				
	Instructional Improvement	Classroom Site	Special Projects	Food Service	Total Special Revenue Funds
Assets					
Cash and Investments	$ 50,370	$ 1,194,380	$ -	$ 691,057	1,935,807
Receivables:					
Property Taxes	-	-	-	-	-
Intergovernmental	61,217	177,005	556,316	32,416	826,954
Inventory, at Cost	-	-	-	20,653	20,653
Total Assets	$ 111,587	$ 1,371,385	$ 556,316	$ 744,126	$ 2,783,414
Liabilities, Deferred Inflows, and Fund Balance					
Liabilities:					
Accounts Payable	$ -	$ -	$ 19,091	$ 16,629	$ 35,720
Accrued Wages and Benefits	15,277	758,311	94,954	16,026	884,568
Due to Other Funds	-	-	426,090	-	426,090
Total Liabilities	15,277	758,311	540,135	32,655	1,346,378
Deferred Inflows of Resources:					
Unavailable Revenue	-	-	-	-	-
Fund Balance:					
Nonspendable	-	-	-	20,653	20,653
Restricted	96,310	613,074	16,181	690,818	1,416,383
Total Fund Balance	96,310	613,074	16,181	711,471	1,437,036
Total Liabilities, Deferred Inflows and Fund Balance	$ 111,587	$ 1,371,385	$ 556,316	$ 744,126	$ 2,783,414

Capital Projects	
Adjacent Ways	Total Nonmajor Governmental Funds
$ 1,999,204	$ 3,935,011
16,152	16,152
-	826,954
-	20,653
$ 2,015,356	$ 4,798,770
$ -	$ 35,720
-	884,568
-	426,090
-	1,346,378
9,711	9,711
-	20,653
2,005,645	3,422,028
2,005,645	3,442,681
$ 2,015,356	$ 4,798,770

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2016

	Special Revenue				
	Instructional Improvement	Classroom Site	Special Projects	Food Service	Total Special Revenue Funds
Revenue:					
Property Taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental	238,477	2,124,070	2,018,772	1,733,106	6,114,425
Food Service Sales	-	-	-	1,104,413	1,104,413
Investment Earnings	394	9,761	-	3,467	13,622
Total Revenue	238,871	2,133,831	2,018,772	2,840,986	7,232,460
Expenditures:					
Current:					
Instruction	301,028	2,084,173	781,424	-	3,166,625
Support Services:					
Students	-	-	496,868	-	496,868
Instructional Staff	-	-	522,375	-	522,375
School Administration	-	-	235	-	235
Business and Other Support Services	-	-	216,871	-	216,871
Operations and Maintenance of Plant	-	-	1,965	-	1,965
Operation of Noninstructional Services	-	-	-	2,468,855	2,468,855
Capital Outlay:					
Facilities Acquisition	-	-	-	-	-
Total Expenditures	301,028	2,084,173	2,019,738	2,468,855	6,873,794
Excess (Deficiency) of Revenue Over Expenditures	(62,157)	49,658	(966)	372,131	358,666
Other Financing Sources (Uses):					
Transfers Out	-	-	(21,636)	(306,825)	(328,461)
Net Change in Fund Balance	(62,157)	49,658	(22,602)	65,306	30,205
Fund Balance:					
Beginning of Year	158,467	563,416	38,783	640,213	1,400,879
Increase in Inventories	-	-	-	5,952	5,952
End of Year	$ 96,310	$ 613,074	$ 16,181	$ 711,471	$ 1,437,036

Capital Projects	
Adjacent Ways	Total Nonmajor Governmental Funds
$ 988,168	$ 988,168
-	6,114,425
-	1,104,413
7,886	21,508
996,054	8,228,514
-	3,166,625
-	496,868
-	522,375
-	235
-	216,871
-	1,965
-	2,468,855
9,685	9,685
9,685	6,883,479
986,369	1,345,035
-	(328,461)
986,369	1,016,574
1,019,276	2,420,155
-	5,952
$ 2,005,645	$ 3,442,681

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
BOND BUILDING FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Expenditures				
Instruction	$ -	$ -	$ 724,725	$ (724,725)
Support Services				
Business and Other Support Services	-	-	14,922	(14,922)
Student Transportation	-	-	314,336	(314,336)
Facilities Acquisition	37,630,831	37,630,831	16,839,783	20,791,048
Total Expenditures	37,630,831	37,630,831	17,893,766	19,737,065
Net Change in Fund Balance	(37,630,831)	(37,630,831)	(17,893,766)	19,737,065
Fund Balance				
Beginning of Year	-	-	34,408,981	34,408,981
End of Year	$ (37,630,831)	$ (37,630,831)	$ 16,515,215	$ 54,146,046

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
DEBT SERVICE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property Taxes	$ -	$ 10,500,915	$ 10,500,915
Intergovernmental	-	244,117	244,117
Investment Earnings	-	176,792	176,792
Total Revenue	-	10,921,824	10,921,824
Expenditures			
Debt Service			
Principal Retirement	8,810,000	8,810,000	-
Interest on Long-Term Debt	4,071,300	2,714,276	1,357,024
Total Expenditures	12,881,300	11,524,276	1,357,024
Net Change in Fund Balance	(12,881,300)	(602,452)	12,278,848
Fund Balance			
Beginning of Year	-	1,756,374	1,756,374
End of Year	$ (12,881,300)	$ 1,153,922	$ 14,035,222

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
INSTRUCTIONAL IMPROVEMENT FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	$ -	$ -	$ 238,477	$ 238,477
Investment Earnings	-	-	394	394
Total Revenue		-	238,871	238,871
Expenditures				
Instruction	350,000	350,000	301,028	48,972
Total Expenditures	350,000	350,000	301,028	48,972
Net Change in Fund Balance	(350,000)	(350,000)	(62,157)	287,843
Fund Balance				
Beginning of Year	-	-	158,467	158,467
End of Year	$ (350,000)	$ (350,000)	$ 96,310	$ 446,310

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
CLASSROOM SITE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	$ -	$ -	$ 2,124,070	$ 2,124,070
Investment Earnings	-	-	9,761	9,761
Total Revenue	-	-	2,133,831	2,133,831
Expenditures				
Instruction	3,315,048	3,263,450	2,084,173	1,179,277
Net Change in Fund Balance	(3,315,048)	(3,263,450)	49,658	3,313,108
Fund Balance				
Beginning of Year	-	-	563,416	563,416
End of Year	$ (3,315,048)	$ (3,263,450)	$ 613,074	$ 3,876,524

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
SPECIAL PROJECTS FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Intergovernmental	$ -	$ -	$ 2,018,772	$ 2,018,772
Expenditures				
Instruction	2,535,255	2,451,277	781,424	1,669,853
Support Services				
Students	-	-	496,868	(496,868)
Instructional Staff	-	-	522,375	(522,375)
School Administration	-	-	235	(235)
Business and Other Support Services	-	-	216,871	(216,871)
Operation and Maintenance of Plant	-	-	1,965	(1,965)
Total Expenditures	2,535,255	2,451,277	2,019,738	431,539
Excess (Deficiency) of Revenue Over Expenditures	(2,535,255)	(2,451,277)	(966)	2,450,311
Other Financing Sources (Uses)				
Transfers Out	-	-	(21,636)	(21,636)
Net Change in Fund Balance	(2,535,255)	(2,451,277)	(22,602)	2,428,675
Fund Balance				
Beginning of Year	-	-	38,783	38,783
End of Year	$ (2,535,255)	$ (2,451,277)	$ 16,181	$ 2,467,458

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
FOOD SERVICE FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Intergovernmental	$ -	$ 1,733,106	$ 1,733,106
Food Service Sales	-	1,104,413	1,104,413
Investment Earnings	-	3,467	3,467
Total Revenue	-	2,840,986	2,840,986
Expenditures			
Operation of Noninstructional Services	3,000,000	2,468,855	531,145
Excess (Deficiency) of Revenue Over Expenditures	(3,000,000)	372,131	3,372,131
Other Financing Sources (Uses)			
Transfers Out	-	(306,825)	(306,825)
Net Change in Fund Balance	(3,000,000)	65,306	3,065,306
Fund Balance			
Beginning of Year	-	640,213	640,213
Increase in Inventories	-	5,952	5,952
End of Year	$ (3,000,000)	$ 711,471	$ 3,711,471

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
ADJACENT WAYS FUND
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Property Taxes	$ -	$ 987,882	$ 987,882
Investment Earnings	-	8,172	8,172
Total Revenue	-	996,054	996,054
Expenditures			
Facilities Acquisition	2,000,000	9,685	1,990,315
Net Change in Fund Balance	(2,000,000)	986,369	2,986,369
Fund Balance			
Beginning of Year	-	1,019,276	1,019,276
End of Year	$ (2,000,000)	$ 2,005,645	$ 4,005,645

AGENCY FUNDS

Student Activities Fund - accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

Employee Withholding Fund - accounts for voluntary deductions and employee payroll checks temporarily held by the District until distributed.

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MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2016

	Student Activities	Employee Withholding	Totals
ASSETS			
Cash and Investments	$ 61,952	$ 75,994	$ 137,946
LIABILITIES			
Due to Student Groups	$ 61,952	$ -	$ 61,952
Deposits Held for Others	-	75,994	75,994
Total Liabilities	$ 61,952	$ 75,994	$ 137,946

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Student Activities Fund				
Assets:				
Cash and Investments	$ 58,460	$ 73,174	$ (69,682)	$ 61,952
Liabilities:				
Due to Student Groups	$ 58,460	$ 73,174	$ (69,682)	$ 61,952
Employee Withholding				
Assets:				
Cash and Investments	$ 106,520	$ 2,557,971	$ (2,588,497)	$ 75,994
Liabilities:				
Due to Other Entities	$ 106,520	$ 2,557,971	$ (2,588,497)	$ 75,994
Total Agency Funds				
Assets:				
Cash and Investments	$ 164,980	$ 2,631,145	$ (2,658,179)	$ 137,946
Liabilities:				
Due to Student Groups	$ 58,460	$ 73,174	$ (69,682)	$ 61,952
Due to Other Entities	106,520	2,557,971	(2,588,497)	75,994
Total Liabilities	$ 164,980	$ 2,631,145	$ (2,658,179)	$ 137,946

STATISTICAL SECTION
(UNAUDITED)

This section of the Madison Elementary School District No. 38's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

See the table of contents for page numbers of the schedules that encompass the above sections.

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MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Position:										
Net Investment in Capital Assets	$ 4,642,913	$ 5,072,857	$ 9,196,332	$ 11,911,341	$ 14,778,740	$ 25,767,112	$ 28,886,447	$ 33,223,823	$ 36,479,785	$ 41,702,942
Restricted	3,771,104	5,850,906	7,934,252	7,692,866	6,538,443	6,392,785	5,475,236	5,776,652	7,505,774	8,478,182
Unrestricted	4,985,510	6,265,934	6,487,655	10,488,550	12,555,215	8,349,844	8,552,604	10,007,561	(31,248,467)	(29,587,767)
Total Net Position	$ 13,399,527	$ 17,189,697	$ 23,618,239	$ 30,092,757	$ 33,872,398	$ 40,509,741	$ 42,914,287	$ 49,008,036	$ 12,737,092	$ 20,593,357

Source: District's Business and Finance Department

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Instruction	$ 26,916,143	$ 25,005,128	$ 26,296,291	$ 23,411,626	$ 22,591,904	$ 22,639,395	$ 22,444,370	$ 23,916,409	$ 26,043,027	$ 26,284,948
Support Services:										
Students	5,151,192	6,060,415	2,725,281	3,065,458	2,728,521	2,547,576	2,682,780	2,894,968	2,943,669	3,081,917
Instructional Staff	-	-	2,807,436	3,244,485	3,122,676	2,091,493	2,326,828	2,683,268	2,547,724	2,637,401
General Administration	5,080,783	5,363,891	632,703	724,263	395,523	700,584	270,605	912,740	917,201	1,599,818
School Administration	-	-	2,122,192	1,607,229	1,872,182	1,926,011	2,000,959	2,249,903	2,347,131	2,202,798
Business and Other Support Services	-	-	2,221,967	2,087,016	2,328,707	4,719,596	4,959,115	2,761,291	3,305,329	3,146,252
Operation and Maintenance of Plant	4,913,707	5,286,768	6,379,829	6,127,099	7,559,089	6,101,997	7,682,311	7,288,686	6,675,133	7,098,016
Student Transportation	1,527,952	2,419,406	1,673,463	1,608,939	1,705,419	1,793,104	1,831,064	1,764,756	1,903,516	2,039,168
Operation of Noninstructional Services	3,219,253	3,577,996	4,167,746	4,230,884	4,414,195	4,470,255	5,112,071	5,198,686	5,666,565	6,207,372
Interest on Long-Term Debt	3,370,228	3,192,258	2,887,988	2,901,522	3,374,864	3,420,621	3,550,959	2,851,336	3,022,663	2,464,906
Total Governmental Activities	50,179,258	50,905,862	51,914,896	49,008,521	50,093,080	50,410,632	52,861,062	52,522,043	55,371,958	56,762,596
Program Revenues										
Governmental Activities:										
Charges for services:										
Instruction	2,303,987	2,281,611	2,294	2,705	18,137	16,577	3,869,773	4,101,212	5,213,521	5,447,725
Students	-	-	1,247	412	-	-	-	-	-	-
Instructional Staff	-	-	447,466	290,132	198,663	192,736	-	-	-	-
General Administration	130,835	251,407	-	112	-	-	-	-	-	-
School Administration	-	-	-	273	-	-	-	-	-	-
Business and other support services	-	-	113,238	221	12	141	-	-	-	-
Operation and Maintenance of Plant	-	-	69,778	42,866	2,536	25	-	-	-	-
Student Transportation	-	-	-	214	-	-	-	-	-	-
Operation of Noninstructional services	1,199,398	1,179,913	2,531,174	3,207,684	3,505,431	3,505,692	951,644	983,217	1,002,700	1,104,413
Operating Grants and Contributions	3,824,535	4,687,790	6,782,293	7,929,284	6,892,557	9,696,296	6,829,037	7,421,966	7,078,859	7,124,468
Capital Grants and Contributions	34,435	4,229	-	-	-	-	92,825	-	-	-
Total Governmental Activities Program Revenues	7,493,190	8,404,950	9,947,490	11,473,903	10,617,336	13,411,467	11,743,279	12,506,395	13,295,080	13,676,606

(Continued)

(Concluded)	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	$ (42,686,068)	$ (42,500,912)	$ (41,967,406)	$ (37,534,618)	$ (39,475,744)	$ (36,999,165)	$ (41,117,783)	$ (40,015,648)	$ (42,076,878)	$ (43,085,990)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes	31,373,646	32,799,468	34,413,590	33,671,337	34,241,489	33,222,129	33,347,420	34,355,152	36,084,922	36,946,942
Unrestricted Grants and Contributions	11,485,118	12,472,489	9,738,055	9,796,592	8,188,846	9,063,617	10,452,804	11,243,359	11,683,162	13,091,289
Investment earnings	1,286,175	1,019,125	617,227	224,547	320,812	170,753	117,377	107,118	156,966	260,628
Other	(6,273,369)	-	318,669	316,660	504,238	271,186	296,004	403,768	596,970	643,396
Total Governmental Activities:	37,871,570	46,291,082	45,087,541	44,009,136	43,255,385	42,727,685	44,213,605	46,109,397	48,522,020	50,942,255
Change in Net Position										
Governmental Activities	$ (4,814,498)	$ 3,790,170	$ 3,120,135	$ 6,474,518	$ 3,779,641	$ 5,728,520	$ 3,095,822	$ 6,093,749	$ 6,445,142	$ 7,856,265

Source: District's Business and Finance Department

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MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Reserved	$ 135,737	$ 145,900	$ 145,900	$ 75,986
Unreserved	907,317	1,060,895	1,060,895	4,550,874
Total General Fund	$ 1,043,054	$ 1,206,795	$ 1,206,795	$ 4,626,860
All Other Governmental Funds:				
Reserved	$ 21,670	$ 13,960	$ 14,097	$ 12,832
Unreserved, Reported in:				
Special Revenue Funds	2,275,342	2,747,408	2,921,597	2,953,715
Debt Service Funds	2,237,954	2,200,950	558,489	225,617
Capital Projects Funds	14,104,327	8,313,633	6,132,317	22,775,888
Total all Other Governmental Funds	$ 18,639,293	$ 13,275,951	$ 9,626,500	$ 25,968,052

	Fiscal Year					
	2011	2012	2013	2014	2015	2016
General Fund:						
Nonspendable						
Prepaid Items	$ 514,610	$ 4,048,538	$ 403,126	$ -	$ -	$ -
Inventory	60,658	67,103	35,621	25,030	26,993	38,438
Unassigned	6,274,243	5,171,019	9,053,530	10,955,935	12,259,273	13,717,929
Total General Fund	$ 6,849,511	$ 9,286,660	$ 9,492,277	$ 10,980,965	$ 12,286,266	$ 13,756,367
All Other Governmental Funds:						
Nonspendable						
Inventory	$ 11,282	$ 11,524	$ 15,070	$ 12,393	$ 14,701	$ 20,653
Restricted	10,323,236	16,450,303	12,161,603	9,199,640	41,666,266	24,816,319
Total All Other Governmental Funds	$ 10,334,518	$ 16,461,827	$ 12,176,673	$ 9,212,033	$ 41,680,967	$ 24,836,972

Source: District's Business and Finance Department.

Note: The District implemented the provisions of GASB statement No. 54 during the fiscal year 2011.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property Taxes	$ 31,783,853	$ 32,785,035	$ 34,037,382	$ 32,677,092	$ 34,132,146	$ 33,470,870	$ 32,692,483	$ 34,961,246	$ 36,017,231	$ 36,280,473
Intergovernmental:										
Federal Aid and Grants	3,459,555	4,073,269	3,936,484	5,868,155	5,247,243	6,845,205	6,269,374	6,926,596	4,262,804	4,248,937
State Aid and Grants	11,900,205	12,926,280	12,202,518	10,557,809	8,695,494	9,998,626	9,610,384	10,107,095	12,856,726	14,305,083
County aid and grants	-	-	-	759,983	632,063	784,233	877,635	900,356	911,107	895,811
Tuition	-	-	-	5,000	-	-	-	-	-	-
Food Services Sales	870,644	864,234	900,475	976,999	932,083	888,341	951,644	983,217	1,002,700	1,104,413
Charges for Services	-	-	2,264,722	2,562,620	2,792,696	2,826,831	3,869,773	4,101,212	5,213,521	5,447,725
Contributions and Donations	-	-	381,346	539,929	506,603	1,043,126	705,996	731,276	731,384	765,927
Investment Earnings	1,286,175	1,017,672	611,281	224,161	320,812	170,466	117,079	106,832	156,702	260,341
Other	2,763,576	3,013,656	318,669	316,660	504,238	271,186	296,010	403,768	596,970	643,396
Total Revenues	52,064,008	54,680,146	54,652,877	54,488,408	53,763,378	56,298,884	55,390,378	59,221,598	61,749,145	63,952,106
Expenditures										
Current:										
Instruction	19,449,920	20,005,052	24,739,451	21,453,119	20,458,565	20,492,518	20,435,699	21,571,526	22,997,355	23,511,724
Support Services:										
Students	4,715,919	5,147,705	2,630,255	2,963,346	2,566,893	2,487,600	2,574,348	2,756,656	2,793,841	2,996,762
Instructional Staff	3,613,968	3,895,023	2,772,619	3,247,703	3,021,379	2,151,898	2,290,256	2,631,040	2,493,254	2,606,856
General Administration	-	-	586,063	669,156	644,369	763,287	674,763	761,509	680,331	1,356,076
School Administration	-	-	2,044,634	1,553,528	1,978,082	1,916,983	1,996,203	2,239,411	2,304,873	2,203,824
Business and Other	-	-	2,188,239	2,572,648	2,507,076	5,015,599	4,647,885	3,187,962	3,513,578	3,599,482
Operation/Maintenance of Plant	4,088,574	4,319,192	5,504,308	5,173,610	6,125,989	5,366,991	5,627,167	6,016,058	5,380,864	5,915,974
Student Transportation	1,035,750	1,517,798	1,629,165	1,320,440	1,826,849	1,775,574	1,722,277	1,562,252	1,889,057	2,104,368
Operation of Noninstructional Services	3,146,381	3,334,731	4,206,063	4,248,776	4,384,503	4,512,476	5,110,047	5,364,711	5,697,978	6,198,277
Capital Outlay:										
Facilities Acquisition/Construction	18,440,974	15,530,890	4,522,973	1,431,751	13,226,025	7,290,247	3,936,419	4,124,081	4,418,941	17,325,778
Debt Service:										
Principal	4,015,000	4,648,996	5,212,367	6,114,432	7,103,650	6,545,000	6,490,000	7,540,000	8,425,000	8,810,000
Interest and Fiscal Charges	3,370,228	3,192,258	2,887,989	2,901,522	3,376,803	3,471,000	3,245,639	2,929,076	2,616,133	2,714,276
Bond Issuance Costs	-	-	-	265,273	-	164,292	-	-	484,269	-
Total Expenditures	61,876,714	61,591,645	58,924,126	53,915,304	67,220,183	61,953,465	58,750,703	60,684,282	63,695,474	79,343,397

(continued)

(Concluded)	Fiscal Year 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess of Revenues Over (Under) Expenditures	$ (9,812,706)	$ (6,911,499)	$ (4,271,249)	$ 573,104	$ (13,456,805)	$ (5,654,581)	$ (3,360,325)	$ (1,462,684)	$ (1,946,329)	$ (15,391,291)
Other Financing Sources (Uses)										
Proceeds of Issuance of Long-Term Debt	-	-	-	18,000,000	-	12,000,000	-	-	19,700,000	-
Proceeds from Capital Leases	-	1,709,445	1,380,000	-	-	-	-	-	-	-
Proceeds of Refunding Debt	-	-	-	-	-	-	-	-	34,000,000	-
Premium on Issuance of Long-Term Debt	-	-	-	296,635	-	593,916	-	-	2,485,933	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	(20,469,640)	-
Transfers In	776,623	803,254	149,517	398,424	472,249	1,296,842	413,127	382,397	404,539	328,461
Transfers Out	(776,623)	(803,254)	(149,517)	(398,424)	(472,249)	(1,296,842)	(413,127)	(382,397)	(404,539)	(328,461)
Total Other Financing Sources (Uses)	-	1,709,445	1,380,000	18,296,635	-	12,593,916	-	-	35,716,293	-
Net Change in Fund Balance	$ (9,812,706)	$ (5,202,054)	$ (2,891,249)	$ 18,869,739	$ (13,456,805)	$ 6,939,335	$ (3,360,325)	$ (1,462,684)	$ 33,769,964	$ (15,391,291)
Debt Service as a Percentage of Noncapital Expenditures	17%	17%	15%	17%	19%	18%	18%	19%	19%	19%

Source: District's Business and Finance Department.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Secondary Assessed Valuation	Total Direct Rate	Estimated Actual Value	Ratio of Net Assessed to Actual Value
2007	$ 1,067,287,640	3.38	$ 7,605,853,501	14.0
2008	1,359,074,350	2.98	10,688,156,591	12.7
2009	1,531,862,956	2.78	11,379,366,135	13.5
2010	1,538,312,194	2.81	11,341,927,619	13.6
2011	1,366,106,799	2.81	10,056,818,042	13.6
2012	1,033,622,409	3.48	7,874,516,512	13.1
2013	896,353,066	3.97	7,425,483,752	12.1
2014	823,051,054	4.55	7,012,081,728	11.7
2015	849,638,069	4.60	6,748,971,877	12.6
2016	1,011,407,213	4.65	8,883,800,443	11.4

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

		Overlapping Rates			District Direct Rates		
Fiscal Year	Maricopa County	Community College District	Phoenix Union High School District No. 210	City of Phoenix	Primary	Secondary	Total
2007	1.18	1.06	3.79	1.82	2.03	1.35	3.38
2008	1.10	0.98	3.42	1.82	1.91	1.07	2.98
2009	1.03	0.94	3.06	1.82	1.88	0.90	2.78
2010	0.99	0.97	3.25	1.82	1.50	1.31	2.81
2011	1.05	0.97	3.25	1.82	1.50	1.31	2.81
2012	1.24	1.21	3.76	1.82	1.79	1.72	3.51
2013	1.24	1.21	4.27	1.82	1.99	1.98	3.97
2014	1.28	1.29	3.25	1.82	2.25	2.30	4.55
2015	1.32	1.28	4.62	1.82	2.37	2.23	4.60
2016	1.36	1.25	4.96	1.82	2.40	2.25	4.65

Source: Property Tax Rates and Assessed Values, Arizona Tax Research Foundation

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
PRINCIPAL PROPERTY TAXPAYERS
2015 AND 2006
(UNAUDITED)

	2015*		2006*	
Taxpayer	Secondary Assessed Valuation	Percentage of District's Net Assessed Valuation	Secondary Assessed Valuation	Percentage of District's Net Assessed Valuation
Metropolitan Life Insurance Co.	$ 25,631,057	3.11 %	$ 37,414,514	3.79 %
ABR Property LLC	16,008,374	1.95	-	2.30
East Camelback Road, Inc.	15,884,627	1.93	-	-
24th and Camelback Phase II LLC	11,115,000	1.35	12,860,491	1.30
Hines VAV III 2375 East Camelback LLC	11,100,207	1.35	-	-
Biltmore Shopping Center Partners	10,883,086	1.32	19,433,332	1.97
Arizona Public Service Company	9,892,218	1.20	-	-
Camelback Colonnade SPE LLC	9,587,039	1.16	10,750,946	1.09
TR Camelback Corp	7,693,271	0.93	11,245,597	1.14
Teachers Insurance and Annuity	7,556,946	0.92	-	-
Total	$ 125,351,825	15.23 %	$ 91,704,880	11.59 %

Source: Maricopa County Assessor's records

* Information for 2016 and 2007 was not available.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

		Current Collections			Collections to Date	
Fiscal Year	Taxes Levied for the Fiscal Year	Current Tax Collections	Percent of Current Taxes Collected	Collections in Subsequent Fiscal Years	Total to Date	Percentage of Levy
2007	$ 34,217,436	$ 33,395,879	97.60%	$ 812,433	$ 34,208,312	99.97%
2008	35,544,040	34,631,961	97.43%	906,892	35,538,853	99.99%
2009	36,451,162	34,732,680	95.29%	1,213,882	35,946,562	98.62%
2010	35,908,111	33,594,692	93.56%	1,067,500	34,662,192	96.53%
2011	37,335,821	35,736,903	95.72%	1,107,315	36,844,218	98.68%
2012	35,828,042	34,425,212	96.08%	796,886	35,222,098	98.31%
2013	35,374,708	34,912,688	98.69%	143,589	35,056,277	99.10%
2014	37,251,039	36,853,087	98.93%	259,588	37,112,675	99.63%
2015	38,534,454	36,017,231	93.47%	2,355,448	38,372,679	99.58%
2016	39,512,888	36,280,473	91.82%	-	36,280,473	91.82%

Source: The Maricopa County Treasurer.

Note 1: 1) Amounts collected are on a cash basis

2) Unsecured personal property taxes are not included in this schedule because the dates of the monthly rolls vary each year. On the average, 90% of unsecured property taxes are collected within 90 days after the due date.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
RATIO OF NET OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

	Governmental Activities						
Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Restricted for Principal Repayment	Percentage of Estimated Net Value	Per Capita	Percentage of Personal Income
2007	$ 66,485,000	$ 1,140,449	$ 67,625,449	$ -	0.89	$ 1,230	0.06 %
2008	66,485,000	1,140,449	67,625,449	2,200,950	0.61	1,273	0.05
2009	57,760,000	1,953,082	59,713,082	558,489	0.52	1,151	0.04
2010	70,385,000	1,213,650	71,598,650	225,617	0.63	1,389	0.05
2011	64,495,000	-	64,495,000	923,507	0.63	1,136	0.05
2012	69,950,000	-	69,950,000	1,005,907	0.88	1,232	0.03
2013	64,173,664	-	64,173,664	344,737	0.86	1,140	0.03
2014	56,555,924	-	56,555,924	748,711	0.80	997	0.02
2015	84,539,117	-	84,539,117	1,756,374	1.23	1,499	0.03
2016	75,402,783	-	75,402,783	1,153,922	0.84	1,345	0.03

Sources: The District's Business and Finance Department for long-term debt. Population and personal income prepared in cooperation with the U.S. Department of Labor and Bureau of Labor Statistics.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2016
(UNAUDITED)

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable to School District	Estimated Share of Overlapping Debt Applicable to School District
Maricopa County Community College District	$ 593,820,000	2.42%	$ 14,370,444
City of Phoenix	1,428,096,582	7.85%	112,105,582
Phoenix Union High School District No. 210	278,960,000	19.43%	54,201,928
Subtotal, Overlapping Debt			180,677,954
Madison Elementary School District No. 38 Direct Debt			75,402,783
Total Direct and Overlapping Debt			$ 256,080,737

Source: District's Business and Finance Department and the State and County Abstract of the Assessment
Arizona Department of Revenue, District's Bond Offering document and the applicable governmental unit.

Note: Percentage of overlap based on assessed property values.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	$ 160,093,146	$ 203,861,153	$ 229,779,443	$ 230,746,829	$ 204,916,020	$ 155,043,361	$ 134,452,960	$ 123,457,658	$ 127,445,710	$ 151,711,082
Total Applicable to Limit	66,485,000	63,545,449	57,201,511	52,159,383	63,571,493	68,944,093	63,115,263	55,171,289	79,738,626	71,531,078
Legal Debt Margin	$ 93,608,146	$ 140,315,704	$ 172,577,932	$ 178,587,446	$ 141,344,527	$ 86,099,268	$ 71,337,697	$ 68,286,369	$ 47,707,084	$ 80,180,004
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	42%	31%	25%	23%	31%	44%	47%	45%	63%	47%

Source: The District's Business and Finance Department

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
CALCULATION OF LEGAL DEBT MARGIN
JUNE 30, 2016
(UNAUDITED)

Net Secondary Assessed Value		$ 1,011,407,213
Legal Debt Margin		
Debt Limitation - 15% of Assessed Value		$ 151,711,082
Amount of Debt Applicable to Debt Limit:		
Class A General Obligation and Refunding Bonds Outstanding	$ -	
Class B General Obligation and Refunding Bonds Outstanding	72,685,000	
Less: Assets in Debt Service Fund Available for Payment of Principal	(1,153,922)	
Total Amount of Debt Applicable to Debt Limit		71,531,078
Legal Debt Margin		$ 80,180,004
Class B Legal Debt Margin		
Debt Limit - the greater of 10% of the net secondary assessed valuation or $1,500 per student (ADM)		
10% of Net Secondary Assessed Valuation		$ 101,140,721
$1,500 Per Student (ADM)		8,421,000
Amount of Debt Applicable to Debt Limit:		
Class B General Obligation and Refunding Bonds Outstanding	$ 72,685,000	
Less: Assets in Debt Service Fund Available for Payment of Principal	(1,153,922)	
Total Amount of Debt Applicable to Debt Limit		71,531,078
Class B Legal Debt Margin		$ 29,609,643

Source: Maricopa County Assessor's Office

Note: State Statutes limit the total amount of bonded debt for a nonunified school district to 15% of the net secondary assessed valuation of the District. In addition, Class B bonded debt is limited to the greater of 5% of the net secondary assessed valuation of the district or $1,500 per student for a nonunified school district.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate	Estimated District Population
2007	3,907,492	$ 132,423,154,000	$ 35,046	3.20%	51,400
2008	4,023,331	145,264,791,000	36,106	4.80%	51,400
2009	6,683,129	147,122,078,000	37,168	8.70%	51,400
2010	6,392,017	140,695,800,000	34,999	10.00%	55,967
2011	6,472,867	222,976,996,000	35,062	9.20%	55,967
2012	6,498,569	233,697,192,000	48,508	8.30%	55,967
2013	6,634,997	247,927,808,000	53,472	N/A	55,967
2014	6,667,241	246,498,116,000	59,254	7.10%	55,216
2015	6,828,065	264,752,321,000	N/A	9.20%	55,216
2016	6,927,347	273,200,000,000	N/A	5.20%	55,216

Sources: For "Personal Income" and "Per Capita" information the Bureau of Economic Analysis. For "Population" and "Unemployment Rate" information the State of Arizona, Department of Economic Security.

Note: N/A indicates that the data is unavailable.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
PRINCIPAL EMPLOYERS
2015 AND 2002
(UNAUDITED)

	2015**		2002 **	
Employer	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
State of Arizona	48,910	2.7 %	49,849	3.1 %
Wal-Mart Stores, Inc.	32,438	1.8	15,895	1.0
Banner Health Systems	30,266	1.7	15,521	1.0
City of Phoenix	14,875	0.8	13,156	0.8
Wells Fargo Company	14,126	0.8	8,800	0.5
Maricopa County	13,341	0.7	15,523	1.0
Arizona State University	12,229	0.7	9,754	0.6
Intel Corp.	11,700	0.6	10,000	0.6
JP Morgan Chase	9,600	0.5	-	-
Apollo Group Inc.	9,417	0.5	-	-
American Airlines	9,000	0.5	-	-
Target	8,572	0.5	8,068	0.5
Freeport McMoRan Copper and Gold Inc.	8,357	0.5	-	-
Mesa Public Schools	8,297	0.5	8,314	0.5
Dignity Health	8,000	0.4		-
Bashas' Family of Stores	6,722	0.4	8,784	0.5
American Express	7300	0.4	-	-
U.S. Postal Service	6,300	0.3	11,406	0.7
Total	259,450	14.4 %	175,070	10.9 %
Total Employment	1,807,624		1,606,700	

Source: The Business Journal, *The Book of Lists 2014-15* and current year bond offering statements.
Note: The information presented is county-wide.

** Information for 2016 and 2007 was not available.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Full-Time Equivalent Employees									
Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Supervisory										
Directors/Supervisors of Instruction	11	9	12	12	13	13	13	13	14	15
Principals	7	8	8	8	8	8	8	8	8	8
Assistant Principals	6	6	6	6	5	6	5	7	8	6
Total Supervisory	24	23	26	26	26	27	26	28	30	29
Instruction										
Teachers	275	286	285	283	289	290	292	291	290	282
Other Teachers (Adult)	35	27	18	18	25	13	13	11	11	12
Other Professionals (Instructional)	8	12	15	17	18	16	16	20	21	15
Aides	49	51	50	52	52	54	57	82	82	76
Total instruction	367	376	368	370	384	373	378	404	404	385
Student Services										
Psychologist	-	-	-	-	-	-	-	-	-	8
Librarians	6	7	-	-	-	-	9	9	9	9
Support and Administration										
Service Workers	189	241	255	238	240	221	237	234	243	248
Total	586	647	649	634	650	621	650	675	686	679

Source: District information.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Average Daily Membership	Operating Expenditures	Cost per Pupil	Percentage Change	Total Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced Meals
2007	4,836	$ 36,050,512	$ 7,455	6.19 %	$ 50,179,258	$ 10,376	15.15 %	310	15.6	43.0 %
2008	5,050	38,219,501	7,568	1.52	50,905,862	10,080	(2.85)	313	16.1	42.9
2009	5,200	46,300,797	8,904	17.65	58,924,126	11,332	12.41	285	18.2	42.9
2010	5,407	43,202,326	7,990	(10.26)	53,915,304	9,971	(12.00)	283	19.1	44.7
2011	5,461	43,513,705	7,968	(0.28)	67,220,183	12,309	23.44	289	18.9	44.0
2012	5,528	44,482,926	8,047	0.99	79,343,397	14,353	16.60	290	19.1	45.0
2013	5,528	44,878,259	8,118	0.89	58,544,587	10,591	(26.21)	292	18.9	46.0
2014	5,571	46,091,125	8,273	1.91	60,684,282	10,893	2.85	291	19.1	43.5
2015	5,522	46,218,497	8,370	1.17	63,695,474	11,535	5.89	290	19.0	43.1
2016	5,614	50,493,343	8,994	7.46	79,343,397	14,133	22.53	282	19.9	39.2

Source: District's financial records.

Notes: 1) Operating expenditures are total expenditures less debt service and capital outlay.

MADISON ELEMENTARY SCHOOL DISTRICT NO. 38
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Schools									
Elementary									
Buildings	32	32	32	32	32	32	32	32	32
Square Feet	335,548	335,548	335,548	335,548	335,548	393,997	393,997	393,997	406,456
Enrollment	3,963	4,064	4,316	3,436	3,516	3,563	3,563	3,563	3,549
Middle									
Buildings	33	33	33	33	33	625	625	625	625
Square Feet	303,013	303,013	303,013	303,013	303,013	323,784	323,784	323,784	323,784
Enrollment	1,179	1,106	1,175	2,252	2,292	2,414	2,414	2,414	2,414
Other									
Buildings	4	4	4	4	4	4	4	4	4
Square Feet	44,570	44,570	44,570	44,570	44,570	44,570	44,570	44,570	44,570

Source: The District's facilities records.